

Message Text

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ACTION EUR-12

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SUBJ: GON ECONOMIC PROGRAM APPROVED BY PARLIAMENT

REF: OSLO 2699

1. PER REFTEL, THE NORWEGIAN STORTING DEBATED AND APPROVED THE GOVERNMENT'S ECONOMIC PROGRAM ON JUNE 7-8, THOUGH WITH SEVERAL CHANGES DEMANDED BY THE OPPOSITION AIMED AT QUOTE CORRECTING THE ECONOMIC SITUATION. UNQUOTE SPECIFIC MODIFICATIONS TO THE PROGRAM INCLUDE A REDUCTION TO BOTH THE EMPLOYER'S TAX FOR A NUMBER OF INDUSTRIES BY APPROXIMATELY THREE PERCENT AND THE INVESTMENT TAX FROM NINE PERCENT TO FIVE PERCENT FOR MINING AND INDUSTRY GENERALLY. (AS NOTED REFTEL, THE GON'S REVISED NATIONAL BUDGET CONTEMPLATED ABOLITION OF THE INVESTMENT TAX.) IN ADDITION, TO FURTHER UNCLASSIFIED

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DAMPEN CONSUMER DEMAND, THE INCOME TAX WAS RAISED BY ONE PERCENT AND THE ELECTRICITY TAX WAS DOUBLED. AS THE LABOR PARTY ACCEPTED ITS LEFT WING ALLIES' (SV) PRICE FOR COOPERATION HALVING THE INVESTMENT TAX INSTEAD OF ABOLISHING IT), DEBATE ON THE ECONOMIC PROGRAM WAS LARGELY PRO FORMA. HOWEVER, PRIME MINISTER NORDLI DID TAKE THE OCCASION TO STRESS THAT THE MAIN ECONOMIC TASK

FACING THE GOVERNMENT WAS TO CREATE COMPETITIVE AND PROFITABLE
INDUSTRY, MAINTAINING CAUTION WITH RESPECT
TO ATTEMPTS TO ACHIEVE APPARENT SOLUTIONS THROUGH SUBSIDIES.

2 COMMENT: THERE ARE BASICALLY TWO CAMPS IN NORWAY
ON ECONOMIC ISSUES. THE LABOR PARTY (BUT NOT ITS LEFT
WING YOUTH GROUP, A SUBSTANTIAL NUMBER OF CONSERVATIVES AND A
FEW OTHERS BELIEVE THAT TO PRESERVE WHAT IS IMPORTANT
IN THE NORWEGIAN WAY OF LIFE REQUIRES A MORE OR LESS
CONTINUOUS PROCESS OF STRUCTURAL ECONOMIC ADJUSTMENT.
(THIS CAMP IS VERY CONSCIOUS OF THE DAMAGE TO THE ECONOMY
OVER THE LAST TWO YEARS DONE BY PRETENDING THAT CHANGE IS
RESISTABLE.) IN THE OTHER CAMP ARE MAY IN THE MINOR
PARTIES (FARMERS, LIBERALS, CHRISTIAN PEOPLE'S PARTY, LABOR'S
ALLIES, THE SOCIALIST LEFT, AND A FEW CONSERVATIVES WHO
BELIEVE THAT NORWEGIAN VALUES AND PRACTICES ARE SOMEHOW
FIXED AND THAT CHANGE IMPLIES A DEROGATION FROM AN EXISTING
IDEAL. UNFORTUNATELY FOR THOSE ACCEPTING OF CHANGE,
THE CONSERVATIVES ARE OFTEN UNWILLING TO ALLY THEMSELVES
WITH THE LABOR PARTY ON CRUCIAL ISSUES BECAUSE LABOR'S
POLITICAL DEFEATS IMPLY AN EVENTUAL CONSERVATIVE
GOVERNMENT. THE RESULT IS THAT WHILE THERE IS A SLIM
PARLIAMENTARY MAJORITY IN FAVOR OF TAKING STEPS TO
ENSURE EFFECTIVE ECONOMIC RESTRUCTURING (AND THUS PUSH
NORWAY SAFELY THROUGH A PROSPEROUS PRESENT TO AN EVEN
MORE PROSPEROUS FUTURE), THIS MAJORITY IS FREQUENTLY
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NOT REALIZABLE. A PERFECT EXAMPLE OF THE WAY THE TWO
CAMPS BALANCE OUT AT PRESENT CAN BE SEEN IN THE GON'S
INABILITY TO ABOLISH THE INVESTMENT TAX. THIS WOULD BE
AN INCENTIVE TO RESTRUCTURING AND THUS CHANGE AND THE
BEST LABOR COULD DO WAS TO GET IT REDUCED, AND THE PRICE
WAS A REDUCTION IN THE EMPLOYER'S TAX WHICH IS AN INCEN-
TIVE TO MAINTAIN THE STATUS QUO. THUS, APPROVAL OF THE
GON'S ECONOMIC PROGRAM TURNS OUT TO BE NEITHER A VICTORY NOR
A DEFEAT FOR EITHER SIDE AND WE THINK AN EXCELLENT INDICATION
OF WHAT PRIME MINISTER NORDLI CAN EXPECT AS HE BATTLES
WITH ERODING MARKET SHARES ABROAD, RISING WAGE COSTS AT
HOME, INVESTMENT OF OIL INCOME, AND A BASICALLY SENSIBLE
POPULATION THAT IS NEVERTHELESS PRONE TO INDULGE IN SUS-
PICIONS THAT FREE ENTERPRISE IS EXPLOITATIVE WHILE FULLY
EXPECTING THE BENEFITS IT OFFERS.
LERNER

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